



The Iowa Economic Development Authority

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New Economic Development Model

Partnership for Economic Progress

“Organizations lose their relevance when the internal change lags (behind) the pace of external change.”
-- Gary Hamel

Economic Progress Partnership

Chaired by Governor/Lt. Governor

11 Member Board (Appointed by Governor)

4 Ex-Officio Members

Comprised of Individuals Within the Private Sector or
with Expertise in Economic Development

Develops a Comprehensive Economic Development Strategy
- Created by Executive Order

Iowa Economic Development Authority

11 Member Board (Appointed by Governor, Confirmed by Senate)

7 Ex-Officio Members (Legislative)

Perform Economic Development Duties of the Existing
Department of Economic Development

Economic Development Authority Staff

Contract for Performance
of Assigned Duties



IOWA INNOVATION
CORPORATION

Corporation Staff

PUBLIC

PRIVATE

Purposes of Economic Development

- » **Economic development \neq tax policy (different purposes)**
- » **Purposes:**
 - Expand the pie = bring wealth into the state from outside
 - Create permanent jobs
 - Grow revenues through larger tax base (Return On Investment)

Purpose Informs Policy

» **New Wealth = Focused incentives:**

- Businesses competing in national or international markets
- R&D sector
- New Economy
- No retail businesses
- Violators of law excluded

» **Permanent Jobs = Tax incentives with “strings”:**

- Performance-based = recapture for failure to meet requirements
- Tied to capital investment and job creation
- Wages determine awards (jobs at or above 100% of average wages)
- 5+ year job maintenance requirements

» **Return On Investment = Fiscal Impact Ratio (FIR)**

High Quality Jobs Program

- » Program provides direct financial assistance and tax incentives for qualifying businesses
- » Tax incentives include:
 - Investment tax credit against income tax liability
 - Refund of state sales, service or use taxes for construction materials
 - Supplemental state research activities credit
 - Optional local property tax exemption of value added to the property
- » Incentive amounts tied to job creation and wages
- » Key Requirements
 - Company must meet qualifying wage thresholds
 - Story County: = Starting wage of at least \$16.34/hr – progressing to \$19.12 /hr over the project performance period, typically 3 years
 - Business must provide sufficient benefits package
 - Non-retail or non-service business

Incentives Determined By Negotiation

» Orascom – Iowa Fertilizer Company (IFCo)

- Award Date: Feb. 2012, amended Sept. 2012
- Capital Investment: \$1.4 billion
- Jobs: 165 direct jobs
- Direct Assistance: \$1.6 million (half loan/half forgivable loan)
- Tax Credits: \$57.5 million (with possible amendments in future years for an additional \$50 million)

» CF Industries

- Award Date: Nov. 2012
- Capital Investment: \$1.7 billion
- Jobs: 100 direct jobs
- Direct Assistance: \$1.5 million (half loan/half forgivable loan)
- Tax Credits: \$22 million (with possible amendments in future years for an additional \$48 million)

Incentive Measurement Tool – FIR

- » Quantifiable measure of the overall value of a proposed project to the state
- » Ratio calculated by dividing projected state revenues by total cost of incentives
- » The tool was created in 2003 by a team of tax experts, academics and economic development specialists, including:
 - Dan Otto, Iowa State University
 - David Plazak, Iowa State University
 - Randy Pilkington, University of Northern Iowa
 - Peter Fisher, University of Iowa
 - Alan Peters, University of Iowa
 - Mike Lipsman, Iowa Department of Revenue
 - Lane Palmer, Iowa Department of Economic Development
 - Harvey Siegelman, Former State Economist

Fiscal Impact Ratio

» High Quality Jobs Awards



Fiscal Impact Ratio

» Enterprise Zones Awards



Incentive Measurement Tool – REMI

- » Continue to look at best practices for measuring value of incentives to the state's economy
- » Working with economists and tax experts at Dept. of Revenue to utilize a third-party economic impact measurement tool
- » REMI is a nationally recognized economic impact tool used to assess the impact of individual projects, legislation changes, tax revenue changes, and other economically based projects
- » REMI can measure how a project will impact employment, wages, income, and corporate and personal tax revenues for over 20 years into the future
- » Use of REMI would be in addition to the FIR
- » Also, we continue to work with Dept. of Revenue to more precisely define and track tax credits by components and fiscal year

Total Capital Investment:

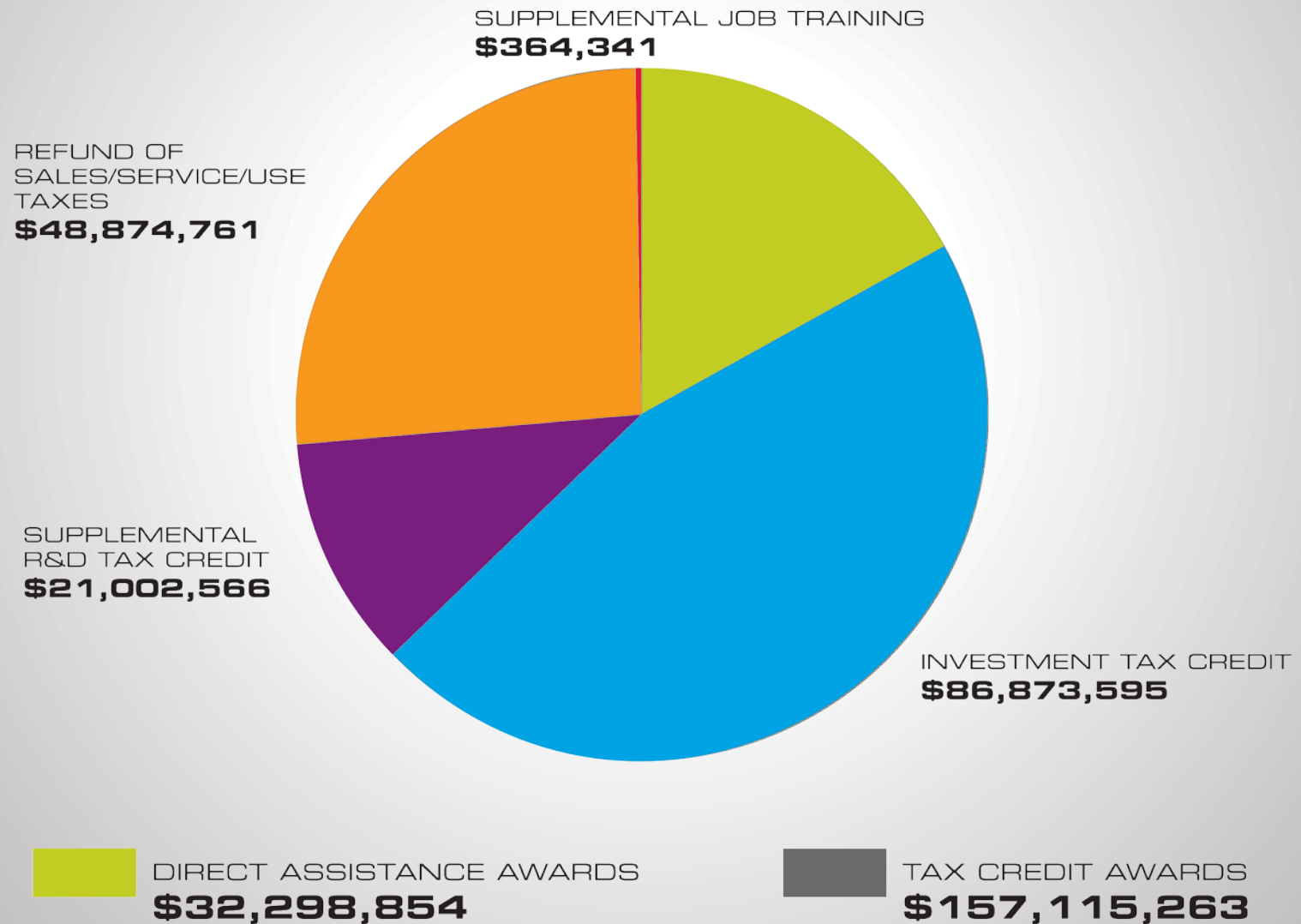
\$5,458,168,664



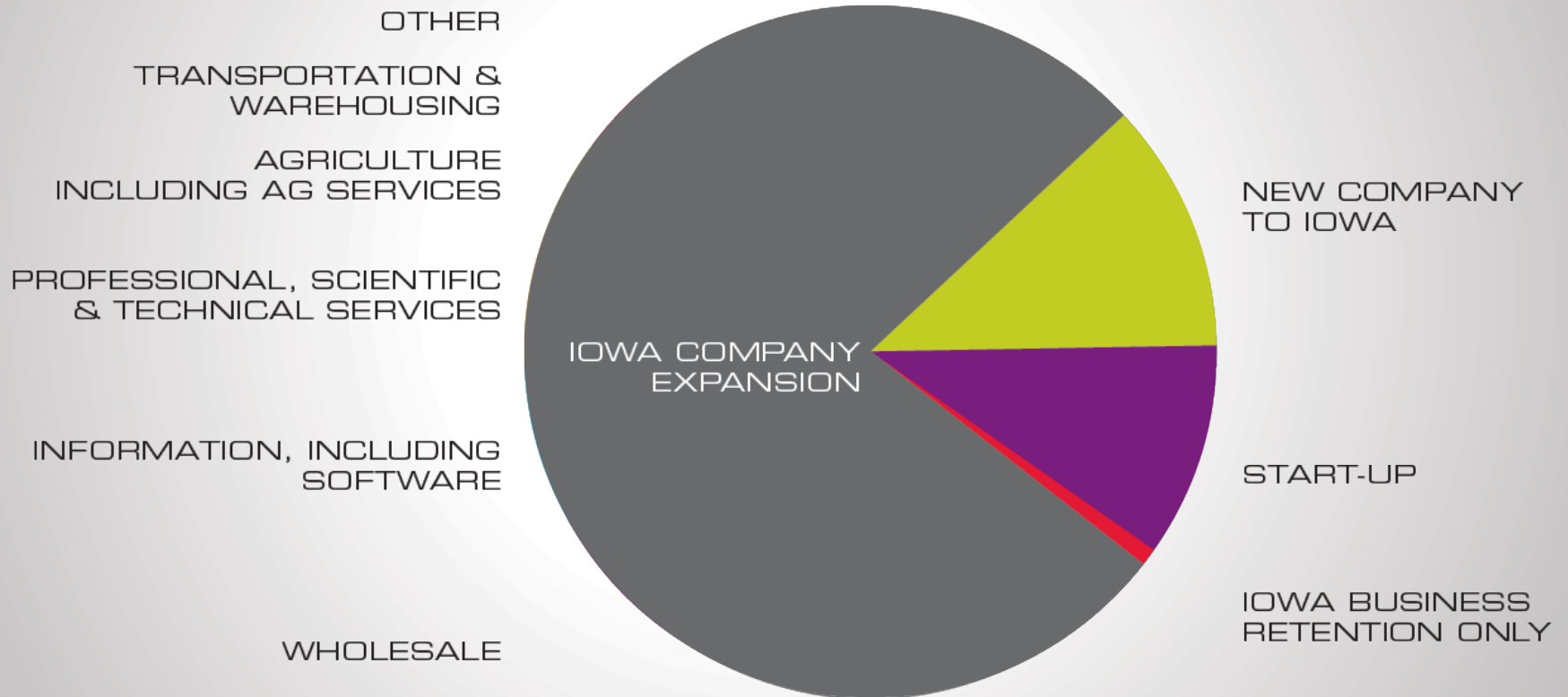
total jobs expected in Iowa economy from incented projects:

15,023

Awarded Projects



Project Industry Sectors and Breakdown



Projects Awarded by Community Size

37



POPULATION
1 - 4,999

39



POPULATION
5,000 - 24,999

40



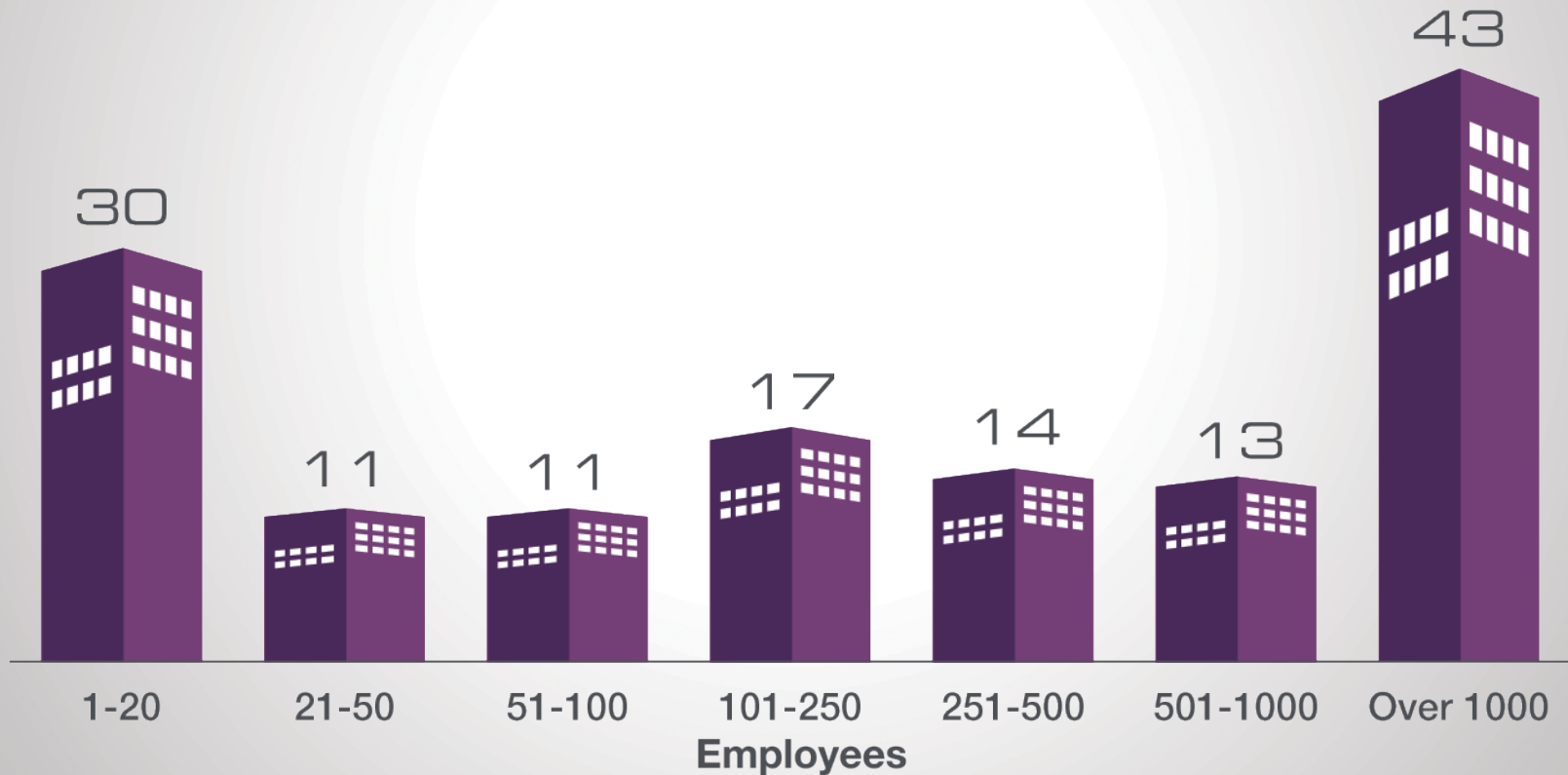
POPULATION
25,000 - 74,999

27

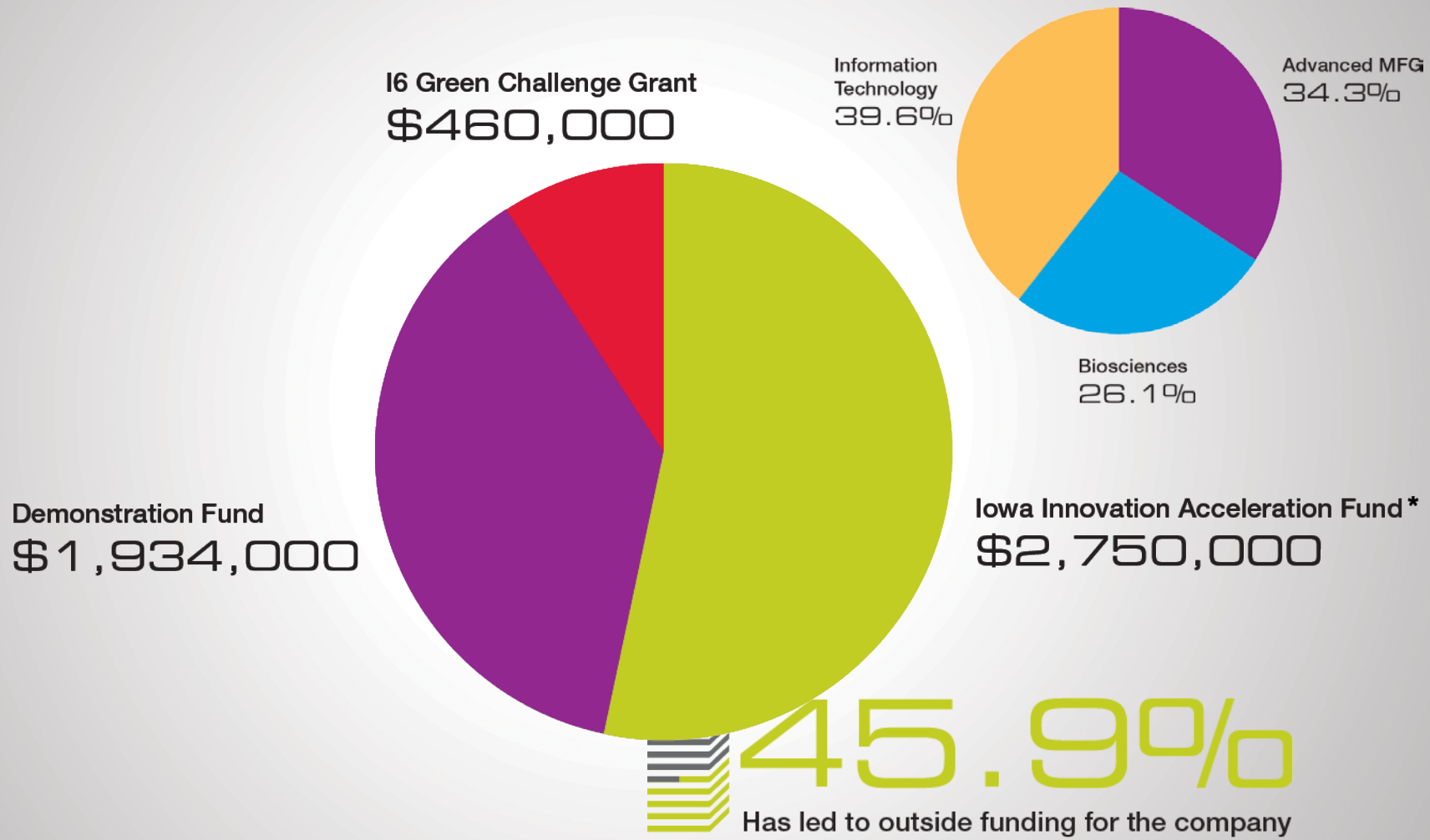


POPULATION
75,000 +

Projects Awarded by Company Size



Innovation Support Funding



*Awards made from July 2011 through September 2012
Iowa Innovation Acceleration Program began May 2012
Demonstration Fund program results from July 2007 through June 2011*

Best Practices for Tax Incentives

- » The Pew Center on the States recently released a study titled “Avoiding Blank Checks: Creating Fiscally Sound State Tax Incentives” suggesting best practices for states to consider
- » The study’s recommendations include:
 - ✓ Ensure policy makers understand budget implications of proposed incentives
 - ✓ Manage the size of tax incentives by setting limits on annual price tag

Iowa Tax Incentives vs. U.S.

AT \$223 MILLION,
IOWA RANKS

41st

IN THE NATION FOR

TOTAL INCENTIVES



IOWA'S PER CAPITA SPENDING
ON INCENTIVES RANKS



42nd

IN THE NATION

IOWA ALLOCATION PER BUDGET DOLLAR TO INCENTIVES



IOWA RANKS
36th
IN THE NATION

Iowa Tax Incentives vs. U.S.

State	Total Incentives	Per Capita	Per Dollar of Budget
Missouri	\$96.5 million	\$16	\$0.01
Minnesota	\$239 million	\$45	\$0.01
South Dakota	\$27.8 million	\$34	\$0.02
Iowa	\$223 million	\$73	\$0.04
Illinois	\$1.51 billion	\$117	\$0.05
Wisconsin	\$1.53 billion	\$268	\$0.10
Kansas	\$1.01 billion	\$355	\$0.17
Michigan	\$6.65 billion	\$672	\$0.30
Oklahoma	\$2.19 billion	\$584	\$0.37
Nebraska	\$1.39 billion	\$763	\$0.39
Texas	\$19.1 billion	\$759	\$0.51

Tax Credit Cap Increase

- » FY13 Tax Credits Awarded (thru 1/13): **\$82,198,065**
- » FY13 anticipated projects currently in negotiations: **\$50 million+ tax credit requests**

Tax Credits Awarded vs. Tax Credits Claimed

- » Budgeting process and cap amount considers tax credits awarded, but the real cost of tax incentives is the amount claimed.

Fiscal Year	Authorized Cap	Total Awards Made	Credits Actually Claimed
2007	No Cap	\$248,211,388	\$39,110,939
2008	No Cap	\$111,974,083	\$28,194,760
2009	No Cap	\$57,870,078	\$32,733,959
2010	\$185,000,000	\$68,317,095	\$44,205,987
2011	\$120,000,000	\$50,887,920	\$27,518,758
2012	\$120,000,000	\$111,649,144	\$22,029,471
2013 (as of Jan. 25, 2013)	\$120,000,000	*\$82,198,065	N/A

* “Total Awards Made” and “Credits Actually Claimed” figures for FY07-FY12 were pulled from the Department of Revenue’s October 2012 Contingent Liability Report. FY13 figures for “Total Awards Made” are from the Iowa Economic Development Authority’s Obligation Log and are current through January 25, 2013.



Debi Durham & Tim Whipple

Iowa Economic Development Authority